

185158

WILLOUGHBY & HOEFER, P.A.

ATTORNEYS & COUNSELORS AT LAW

930 RICHLAND STREET

P.O. BOX 8416

COLUMBIA, SOUTH CAROLINA 29202-8416

MITCHELL M. WILLOUGHBY
JOHN M.S. HOEFER
ELIZABETH ZECK*
RANDOLPH R. LOWELL
NOAH M. HICKS II**
BENJAMIN P. MUSTIAN
M. McMULLEN TAYLOR

March 28, 2007

AREA CODE 803
TELEPHONE 252-3300
TELECOPIER 256-8062

TRACEY C. GREEN
SPECIAL COUNSEL

*ALSO ADMITTED IN TX

**ALSO ADMITTED IN VA

VIA HAND DELIVERY

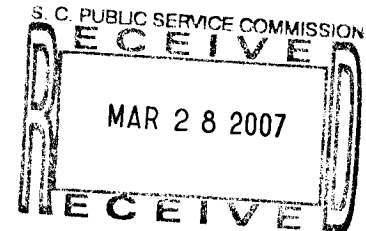
The Honorable Charles Terreni
Chief Clerk/Administrator

South Carolina Public Service Commission

101 Executive Center Drive (29210)

Post Office Drawer 11649

Columbia, South Carolina 29211



RE: South Carolina Electric & Gas Company – Annual Review of Base Rates
for Fuel Costs;
Docket No. 2007-2-E

Dear Mr. Terreni:

Enclosed for filing is 25 copies of the Revised Testimony of John R. Hendrix submitted on behalf of South Carolina Electric & Gas Company. This testimony with exhibits is revised to reflect the changes to Mr. Hendrix's testimony set forth in section 1 of the Revised Settlement Agreement. This Revised Testimony will be the testimony submitted into the record for Mr. Hendrix at the hearing scheduled for March 29, 2007.

If there are any questions regarding this matter, please advise.

Very truly yours,

WILLOUGHBY & HOEFER, P.A.

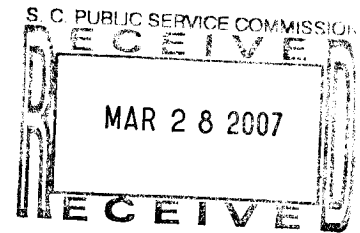
A handwritten signature in black ink that reads "Mitchell Willoughby". The signature is written in a cursive, flowing style.

Mitchell Willoughby

MW/amw
Enclosures

cc: Shannon B. Hudson, Esquire (via electronic mail and hand-delivery)
Jeffrey M. Nelson, Esquire (via electronic mail and hand-delivery)
Scott Elliott, Esquire (via electronic mail and hand-delivery)
Belton T. Zeigler, Esquire (via electronic mail)
K. Chad Burgess, Esquire (via electronic mail)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2007-2-E



IN RE:)
)
South Carolina Electric & Gas Company)
Annual Review of Base Rates for)
Fuel Costs.)
)
_____)

CERTIFICATE OF SERVICE

This is to certify that I have caused to be served this day one (1) copy of the **Revised**
Testimony of John R. Hendrix via electronic mail and hand-delivery, upon the persons named
below at the addresses set forth:

Shannon B. Hudson, Esquire
Jeffrey M. Nelson, Esquire
South Carolina Office of Regulatory Staff
1441 Main Street, Suite 300
Columbia, SC 29201
shudson@regstaff.sc.gov
jnelson@regstaff.sc.gov

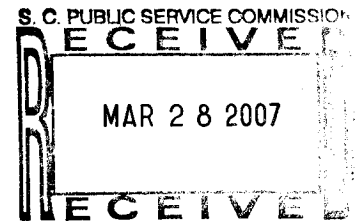
Scott Elliott, Esquire
Elliott & Elliott, PA
721 Olive Street
Columbia, SC 29205
selliott@elliottlaw.us

Andrea M. Wright

Columbia, South Carolina
This 28th day of March, 2007

1
2
3
4
5
6
7
8

**REVISED
DIRECT TESTIMONY OF
JOHN R. HENDRIX
ON BEHALF OF
SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOCKET NO. 2007-2-E**



9 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

10 A. John R. Hendrix, 1426 Main Street, Columbia, South Carolina.

11 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

12 A. I am Manager of Electric Pricing and Rate Administration at SCANA
13 Services, Inc.

14 **Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
15 **BUSINESS EXPERIENCE.**

16 A. I am a graduate of the University of South Carolina where I received
17 a Bachelor of Science Degree in Business Administration with a major in
18 marketing. Since joining South Carolina Electric & Gas Company in
19 August 1983, I have held various positions within the Rate Department. In
20 November 2002, I assumed my present position. I have participated in cost
21 of service studies, rate development and design, and rate evaluation
22 programs for both the electric and gas operations. I am a member of the
23 Southeastern Electric Exchange Rate Section.

1 Q. WILL YOU BRIEFLY SUMMARIZE YOUR DUTIES WITH
2 SOUTH CAROLINA ELECTRIC & GAS COMPANY?

3 A. I am responsible for the design and administration for the Company's
4 electric rates and tariffs including the electric fuel adjustment. In addition,
5 I am responsible for the Company's electric cost allocation studies.

6 Q. MR. HENDRIX, WHAT IS THE PURPOSE OF YOUR TESTIMONY
7 IN THIS PROCEEDING?

8 A. The purpose of my testimony is to provide the actual fuel cost data for
9 the period February 1, 2006 through January 31, 2007, the historical period
10 under review in this proceeding. I will also provide the computations for
11 the projected fuel cost per kilowatt-hour of sales for the period May 1, 2007
12 through April 30, 2008, along with the Company's recommended fuel rate
13 for the period ending April, 2008.

14 Q. WHAT IS THE COMPANY'S CURRENTLY APPROVED RATE
15 FOR FUEL COST?

16 A. In Order No. 2006-235(A), the Commission approved a 2.516 cents
17 per KWH fuel component.

18 Q. WILL YOU PLEASE EXPLAIN EXHIBIT NO. ____ (JRH-1)?

19 A. Exhibit No. ____ (JRH-1) shows the actual fuel cost and
20 over/under recovery of fuel revenue experienced by the Company for the
21 months of February 2006 through January 2007, as well as the forecast for
22 February, March and April 2007. As shown on this Exhibit, the Company

1 has an actual under collection of \$52,476,342 as of January 2007. The
2 forecasted balance at April, 2007 is an under collection of \$38,468,549.
3 Carrying costs has been included in these calculations pursuant to the
4 provisions of Order No. 2006-235(A).

5 **Q. WILL YOU PLEASE EXPLAIN EXHIBIT NO. _____(JRH-2)?**

6 A. Exhibit No. _____(JRH-2) contains the Company's fuel cost forecast
7 and projected recovery calculations by month for May 2007 through April
8 2008. This exhibit reflects the monthly and cumulative over and under
9 projected fuel cost collection expected by the Company using its
10 recommended fuel rate. The projection shows an under recovery of
11 \$38,468,549 at April 2007 and a balance at period end as close to zero as
12 possible.

13 **Q. BY WHAT PROCESS DO YOU DEVELOP YOUR FUEL FACTOR**
14 **FOR SCE&G'S RATES?**

15 A. As Mr. Lynch indicates in his testimony, we receive the output from
16 the PROSYM model from the Resource Planning Department. This data is
17 loaded onto spreadsheets along with fuel ending inventories, emission
18 allowances, forecasted fuel prices and information regarding operations to
19 determine projected fuel costs for February, March and April 2007, as well
20 as the twelve months ending April 2008.

1 **Q. WILL YOU PLEASE EXPLAIN EXHIBIT NO.____(JRH-3)?**

2 A. Exhibit No.____(JRH-3) provides the calculation of the projected
3 fuel component for the twelve-month period May 2007 through April 2008,
4 as well as the Company's fuel rate recommendation. For the twelve
5 months May 2007 through April 2008 the base fuel rate is 2.630 cents per
6 KWH, which includes 0.172 cents per KWH to recover the anticipated
7 under collection.

8 **Q. MR. HENDRIX, WHAT FUEL COMPONENT IS THE COMPANY**
9 **PROPOSING IN THIS PROCEEDING?**

10 A. The Company is proposing that the fuel component be set at 2.630
11 cents per KWH effective for bills rendered on and after the first billing
12 cycle of May 2007 and continuing through the billing month of April 2008.

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 A. Yes.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

FUEL COSTS REPORT

Exhibit No. (JRH-1)

ACTUAL 2006

LINE NO.	FEBRUARY \$	MARCH \$	APRIL \$	MAY \$	JUNE \$	JULY \$	AUGUST \$
1. TOTAL COST OF FOSSIL FUEL BURNED	32,489,281	34,531,775	26,669,142	35,571,611	47,290,050	58,812,476	67,273,248
2. NUCLEAR FUEL	1,927,854	(3,868,674)	2,060,792	2,076,842	2,022,004	2,108,826	2,118,287
3. PURCHASED AND INTERCHANGE POWER FUEL COSTS	8,468,162	5,169,991	11,237,662	10,979,975	10,462,576	11,259,496	11,562,584
4. LESS FUEL RECOVERED THROUGH INTERSYSTEM SALES	<u>5,719,505</u>	<u>4,914,875</u>	<u>2,720,610</u>	<u>4,944,197</u>	<u>7,719,347</u>	<u>8,428,976</u>	<u>10,699,932</u>
5. TOTAL FUEL COSTS (LINES 1+2+3-4)	37,165,792	30,918,217	37,246,986	43,684,231	52,055,283	63,751,822	70,254,187
6. TOTAL SYSTEM SALES EXCLUDING INTERSYSTEM SALES (KWH)	1,762,946,768	1,778,180,419	1,641,714,242	1,800,037,126	2,128,012,318	2,252,592,119	2,427,170,905
7. FOSSIL FUEL COST PER KWH SALES	0.021082	0.017388	0.022688	0.024269	0.024462	0.028302	0.028945
8. LESS BASE COST PER KWH INCLUDED IN RATES	0.022560	0.022560	0.022560	0.025160	0.025160	0.025160	0.025160
9. FOSSIL FUEL ADJUSTMENT PER KWH	(0.00148)	(0.00517)	0.00013	(0.00089)	(0.00070)	0.00314	0.00379
10. RETAIL KWH	1,646,862,967	1,662,822,693	1,532,522,023	1,670,944,442	1,988,875,162	2,097,942,673	2,268,392,331
11. OVER/UNDER RECOVERY REVENUE	(2,437,357)	(8,596,793)	199,228	(1,487,141)	(1,392,213)	6,587,540	8,597,207
12. MONTHLY CARRYING COST COLLECTED	0	0	0	92,699	93,007	90,448	85,964
13. ADJUSTMENTS	(473,141)	201,804	0	0	496,047	0	174,118
14. FIXED CAPACITY CHARGES	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)
15. NET OVER/UNDER RECOVERY REVENUE	(4,494,081)	(9,978,572)	(1,384,355)	(2,978,025)	(2,386,742)	5,094,405	7,273,706
16. CUMULATIVE UNDER(OVER) \$54,648,833	50,154,752	40,176,180	38,791,825	35,813,800	33,427,058	38,521,463	45,795,169

SOUTH CAROLINA ELECTRIC & GAS COMPANY

FUEL COSTS REPORT

Exhibit No. (JRH-1)

LINE NO.	ACTUAL 2006 - 2007					FORECAST 2007			
	SEPTEMBER \$	OCTOBER \$	NOVEMBER \$	DECEMBER \$	JANUARY \$	FEBRUARY \$	MARCH \$	APRIL \$	
1.	TOTAL COST OF FOSSIL FUEL BURNED	35,030,157	40,281,935	44,534,584	37,008,255	51,226,858	45,510,000	35,512,000	24,110,000
2.	NUCLEAR FUEL	2,051,441	858,293	401,776	2,368,612	2,105,971	1,836,000	2,038,000	1,969,000
3.	PURCHASED AND INTERCHANGE POWER FUEL COSTS	11,299,841	9,964,826	13,775,953	8,132,148	3,593,779	5,250,000	11,962,000	12,407,000
4.	LESS FUEL RECOVERED THROUGH INTERSYSTEM SALES	<u>2,730,643</u>	<u>1,635,111</u>	<u>1,767,247</u>	<u>3,871,872</u>	<u>3,452,984</u>	<u>5,182,000</u>	<u>6,099,000</u>	<u>4,287,000</u>
5.	TOTAL FUEL COSTS (LINES 1+2+3-4)	45,650,796	49,469,943	56,945,066	43,637,143	53,473,624	47,414,000	43,413,000	34,199,000
6.	TOTAL SYSTEM SALES EXCLUDING INTERSYSTEM SALES (KWH)	2,167,168,670	1,789,046,441	1,634,191,672	1,803,347,558	1,834,643,779	1,898,000,000	1,784,000,000	1,692,000,000
7.	FOSSIL FUEL COST PER KWH SALES	0.021065	0.027652	0.034846	0.024198	0.029147	0.024981	0.024335	0.020212
8.	LESS BASE COST PER KWH INCLUDED IN RATES	0.025160	0.025160	0.025160	0.025160	0.025160	0.025160	0.025160	0.025160
9.	FOSSIL FUEL ADJUSTMENT PER KWH	(0.00410)	0.00249	0.00969	(0.00096)	0.00399	(0.00018)	(0.00082)	(0.00495)
10.	RETAIL KWH	2,043,860,494	1,675,800,334	1,523,052,541	1,684,692,746	1,706,292,796	1,783,000,000	1,669,000,000	1,582,000,000
11.	OVER/UNDER RECOVERY REVENUE	(8,379,828)	4,172,743	14,758,379	(1,617,305)	6,808,108	(320,940)	(1,368,580)	(7,830,900)
12.	MONTHLY CARRYING COST COLLECTED	84,790	84,347	82,115	85,925	87,792	87,792	87,792	87,792
12.	ADJUSTMENTS	0	16,647	(20,398)	30,461	(1,594,688)	0	0	0
13.	FIXED CAPACITY CHARGES	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)
14.	NET OVER/UNDER RECOVERY REVENUE	(9,878,621)	2,690,154	13,236,513	(3,084,502)	3,717,629	(1,816,731)	(2,864,371)	(9,326,691)
15.	CUMULATIVE UNDER(OVER)	\$45,795,169	38,606,702	51,843,215	48,758,713	52,476,342	50,659,611	47,795,240	38,468,549

SOUTH CAROLINA ELECTRIC & GAS COMPANY

FUEL COSTS REPORT

2007 FORECAST

LINE NO.	MAY \$	JUNE \$	JULY \$	AUGUST \$	SEPTEMBER \$	OCTOBER \$
1. TOTAL COST OF FOSSIL FUEL BURNED	39,005,000	51,242,000	61,255,000	61,363,000	43,826,000	34,174,000
2. NUCLEAR FUEL	2,038,000	1,952,000	2,016,000	2,016,000	1,952,000	2,038,000
3. PURCHASED AND INTERCHANGE POWER FUEL COSTS	12,435,000	14,996,000	17,186,000	15,899,000	11,859,000	11,202,000
4. LESS FUEL RECOVERED THROUGH INTERSYSTEM SALES	<u>6,436,000</u>	<u>7,988,000</u>	<u>10,305,000</u>	<u>11,082,000</u>	<u>7,885,000</u>	<u>5,142,000</u>
5. TOTAL FUEL COSTS (LINES 1+2+3-4)	47,042,000	60,202,000	70,152,000	68,196,000	49,752,000	42,272,000
6. TOTAL SYSTEM SALES EXCLUDING INTERSYSTEM SALES (KWH)	1,808,000,000	2,141,000,000	2,357,000,000	2,386,000,000	2,202,000,000	1,899,000,000
7. FOSSIL FUEL COST PER KWH SALES	0.026019	0.028119	0.029763	0.028582	0.022594	0.022260
8. LESS BASE COST PER KWH INCLUDED IN RATES	0.026300	0.026300	0.026300	0.026300	0.026300	0.026300
9. FOSSIL FUEL ADJUSTMENT PER KWH	(0.000028)	0.00182	0.00346	0.00228	(0.00371)	(0.00404)
10. RETAIL KWH	1,683,000,000	2,003,000,000	2,202,000,000	2,238,000,000	2,073,000,000	1,785,000,000
11. OVER/UNDER RECOVERY REVENUE	(471,240)	3,645,460	7,618,920	5,102,640	(7,690,830)	(7,211,400)
12. MONTHLY CARRYING COST COLLECTED	87,792	80,476	73,160	65,844	58,528	51,212
13. ADJUSTMENTS	0	0	0	0	0	0
14. FIXED CAPACITY CHARGES	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)
15. NET OVER/UNDER RECOVERY REVENUE	(1,967,031)	2,142,353	6,108,497	3,584,901	(9,215,885)	(8,743,771)
16. CUMULATIVE UNDER(OVER) \$38,468,549	36,501,518	38,643,871	44,752,368	48,337,269	39,121,384	30,377,613

Exhibit No. (JRH-2)
(REVISED)

SOUTH CAROLINA ELECTRIC & GAS COMPANY

FUEL COSTS REPORT

2007 - 2008 FORECAST

LINE NO.	NOVEMBER \$	DECEMBER \$	JANUARY \$	FEBRUARY \$	MARCH \$	APRIL \$
1.	39,565,000	41,347,000	43,807,000	34,206,000	36,978,000	32,721,000
2.	1,969,000	2,038,000	2,038,000	1,905,000	2,038,000	1,707,000
3.	6,974,000	11,928,000	12,145,000	12,025,000	10,061,000	12,134,000
4.	5,283,000	7,482,000	7,332,000	4,701,000	5,156,000	5,566,000
5.	43,225,000	47,831,000	50,658,000	43,435,000	43,921,000	40,996,000
6.	1,699,000,000	1,879,000,000	2,051,000,000	1,941,000,000	1,823,000,000	1,731,000,000
7.	0.025441	0.025456	0.024699	0.022378	0.024093	0.023683
8.	0.026300	0.026300	0.026300	0.026300	0.026300	0.026300
9.	(0.000086)	(0.000084)	(0.00160)	(0.00392)	(0.00221)	(0.00262)
10.	1,588,000,000	1,750,000,000	1,917,000,000	1,824,000,000	1,706,000,000	1,620,000,000
11.	(1,365,680)	(1,470,000)	(3,067,200)	(7,150,080)	(3,770,260)	(4,244,400)
12.	43,896	36,580	29,264	21,948	14,632	7,316
13.	0	0	0	0	0	0
14.	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)	(1,583,583)
15.	(2,905,367)	(3,017,003)	(4,621,519)	(8,711,715)	(5,339,211)	(5,820,667)
16.	27,472,246	24,455,243	19,833,724	11,122,009	5,782,798	(37,869)

Exhibit No. ____ (JRH-2)

(REVISED)

**SOUTH CAROLINA ELECTRIC & GAS COMPANY
CALCULATION OF BASE FUEL COMPONENT**

**FORECAST
MAY 07 - APR 08
12 MONTHS**

1. PROJECTED DATA:

COST OF FUEL (\$000)	\$607,682
SYSTEM SALES (GWH)	23,917
FUEL RATE (CENTS/KWH)	2.540

2. (OVER)/UNDER COLLECTION (\$000) THROUGH APRIL 2007

\$38,469

SOUTH CAROLINA RETAIL SALES (GWH)	22,389
(OVER)/UNDER COLLECTION RATE (CENTS/KWH)	0.172

3. BASE FUEL RATE (CENTS/KWH):

PROJECTED FUEL RATE	2.540
FIXED TRANSPORTATION CHARGE & CARRYING COST RATE (CENTS/KWH)(a)	<u>(0.082)</u>
TOTAL PROJECTED FUEL RATE	2.458
(OVER)/UNDER RECOVERY RATE	<u>0.172</u>
TOTAL PROJECTED BASE FUEL RATE	<u>2.630</u>

Note (a): The calculation for the Fixed Transportation Charge and Carrying Cost Rate is (Fixed Transportation Cost) (\$19,003) plus (Carrying Cost) \$571 divided by (retail sales) 22,389 equals (0.082) (Cents/KWH).